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Grant Thornton

The Audit Findings for West Midlands Combined Authority

Year ended 31 March 2019

21 June 2019

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Your key Grant Thornton team members are:

Grant Patterson
Engagement Lead
T: 0121 232 5296
E: grant.b.patterson@uk.gt.com

Nic Coombe
Senior Manager
T: 0121 232 5206
E: nicola.coombe@uk.gt.com

Ellena Grant-Pearce
Executive
T: 0121 232 5397
E: ellena.grant-pearce@uk.gt.com

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Combined Authority ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Authority's financial statements: • give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements [including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements], is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during May and June. Our findings are summarised on pages 3 to 17. There is one material adjustment we are required to report to you and one item that we have identified through our testing that the Authority is proposing not to adjust for: • The Authority prepared the draft financial statements in the knowledge that a revised actuarial report was being prepared and therefore that the financial statements would be amended if the resulting movement was material. The report has been received and the amendments actioned as the revised report has led to an increase in the net pension liability of £10m. • Through our expenditure cut-off testing we identified a transaction for £280k that wasn't accounted for in 2018/19 when it should have been. The Authority have elected not to adjust the financial statements in this regard. The net effect on the Comprehensive Income and Expenditure Statement, had this adjustment been made, is nil as it relates to grant funding received, which was subsequently paid out, thereby creating a net nil effect. We have provided the detail of these in Appendix A. The Letter of Representation has been amended to reflect the Authority's decision not to adjust for the item above. The Audit, Risk and Assurance Committee will be asked to approve this. Our audit work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (which is shown in Appendix C) or material changes to the financial statements, subject to the outstanding matters listed overleaf. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unqualified.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Authority's value for money arrangements. We have concluded that the West Midlands Combined Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 18 to 21.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Combined Authority ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We do not expect to be able to certify the conclusion of the audit as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. As the Pension Fund has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

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Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit, Risk & Assurance Committee who have delegated responsibility as those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- From this evaluation we determined that an audit of Midland Metro Limited was required, which is being completed by BDO LLP; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 14 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix C.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of group materiality thresholds has altered slightly to what was reported in our plan in order that the figures are above those for the Authority. We detail in the table below our determination of materiality for the Authority and group.

	Group Amount (£)	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£4,601k	£4,600k	• Materiality determined equates to approximately 1.8% of the Authority's total expenditure.
Performance materiality	£3,451k	£3,450k	• This is determined by applying 75% to headline materiality. There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Authority and key reporting personnel in the finance function have remained stable from the prior year audit and so there are no concerns this would increase aggregation risk.
Trivial matters	£230k	£230k	• This is determined by applying 5% to headline materiality.
Materiality for figures within the remuneration disclosure	£25k	£25k	• We believe these disclosures are of specific interest to the reader of the accounts. We consider that using an absolute materiality value is appropriate, rather than applying a % of any other benchmark, because the magnitude of the disclosures does not vary greatly with the size of the organisation or any similar factors.

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Status of the audit

Our work is still underway as at the time of writing and the outstanding matters are detailed below.

- Completion of our work on grant income, financial instruments, and leases
- Pensions: completion of our work on the revised IAS 19 report and the subsequent amendments made to the financial statements
- Pensions: input from WMPF auditor in order to assist with assurance over the value of the net pension liability
- Receipt of loan agreements to support the balances held as investments in the Collective Investment Fund
- Receipt of the component auditor's report to the group auditor, detailing the findings of their work.
- Review of the component auditor's workpapers

- Receipt of management representation letter once template wording provided by audit team
- Review of the final set of amended financial statements; and
- Updating our post balance sheet events review, to the date of signing the opinion

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

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Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**The revenue cycle includes fraudulent transactions** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the West Midlands Combined Authority group mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for West Midlands Combined Authority. In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition can be rebutted because we do not consider there to be a risk of material misstatement in the accounts of Midland Metro Limited due to fraud in revenue recognition. We also believe, given the subsidiary's close relationship with the Authority, that the above bullet points also apply from a Group perspective.	**Auditor commentary** We have not altered our assessment as reported in the audit plan and therefore have no issues to report n this regard.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Group faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement for both the Group and Authority.	**Auditor commentary** We have: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. Our audit work at the Authority has not identified any issues in respect of management override of controls. As at the time of writing we have not yet undertaken a review of the component auditors (BDO) workpapers which will allow us to conclude on whether there are any findings from a group perspective but, from our liaison with BDO to date, there are no findings to report.

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Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of pension fund net liability** The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£50 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • reviewed the pensions prepayment paid by the Authority to the Pension Fund and are satisfied it was subject to due process and has been accounted for in the financial statements correctly. In 2017/18 the Authority made a prepayment of £5.1m to the West Midlands Pension Fund, being three years employers' contributions. Of this, approximately £1.157m plus an advance deficit lump sum of £0.8m is in respect of 2019/20 and therefore is accounted for as a total prepayment of £1,957k in the 2018/19 accounts. The value of the net pension liability in the balance sheet of £49,856k is not equal to the pension reserve of £51,813k. We are satisfied that this is appropriate, as the difference is due to the prepayment of £1,957k referred to above. The pensions disclosures and value of the net liability are the same for the group as for the authority, as the consolidated component (MML) does not contribute to the LGPS and therefore there are no figures to consolidate. We have requested but not yet obtained assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Therefore we are not yet able to conclude on this work, but have no issues to report as at the time of writing.

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Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Midland Metro Limited	BDO LLP	We requested that BDO undertake procedures in relation to the following areas at MML. • Management override of controls: review of controls, analysis of journals and consideration of estimates applied • Testing of income and debtors balances • Testing of Operating expenses and creditors balance including consideration of whether appropriate cut-off has been applied • Testing of employee remuneration • Receipt of bank confirmations for balance as at 31 March 2019	• As at the time of writing we have not yet received the component auditor's report to the group auditor, nor have we reviewed the workpapers of BDO. • However, from discussions with the BDO audit team, we are not aware of findings that would need to be reported on a group basis. • We will verbally update the Audit, Risk and Assurance Committee during the meeting on 21 June and provide an updated Audit Findings Report to take account of our conclusions in this area thereafter.

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings - £3.559m	The majority (£3.000m) of the value associated with Land and buildings, as disclosed in Note 19 is in relation to the property at 16 Summer Lane. Land and buildings are revalued at least every five years at current value and a full valuation was carried out as at 31 March 2019. These are not specialised land and buildings and are therefore required to be valued at existing use in value (EUV) at year end. The Authority has engaged Bruton Knowles to complete the valuation of properties as at 31 March 2019 on a five yearly basis, with desktop reviews carried out between valuations for indications of material changes. 100% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase to the valuation of Land and Buildings of £0.447m.	We have considered the estimate applied by management and the use of their expert, Bruton Knowles. • As a full valuation was undertaken this involves a site visit by the valuer, where physical inspection of the assets was undertaken. We therefore have assurance over the completeness and accuracy of the underlying information used to determine the estimate • The valuation methodology applied is consistent with the prior year and professional standards • The resulting increase in the asset appears reasonable based on the information provided by the valuer • The disclosure in the financial statements is adequate, both in Note 19, which discusses the use of Bruton Knowles, as well as in Note 3, which discloses the property revaluation as an estimate, for which there is a risk of material adjustment in the forthcoming financial year.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £39,100k, revised to £49,856k.	The Authority's total net pension liability at 31 March 2019 per the draft accounts was £39,100k (PY £50,213k). The Authority uses Barnett Waddingham LLP to provide actuarial valuations of the Authority's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the West Midlands Pension Fund, administered by the City of Wolverhampton Council). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. Since the draft accounts were produced an updated actuarial report incorporating asset valuations as at March 2019 has been received. The financial statements have been updated in this regard. This led to an increase of £10m in the net pension liability: the liability in the updated financial statements is now £49,856k. This revised figure is reflective of a £357k net actuarial loss during 2018/19.	PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2019. We use this report to inform our assessment of the valuation of the pension fund liability in the Authority's accounts. We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable.	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.40%	2.35%-2.45%	
Pension increase rate	2.45%	2.40%-2.45%	
Salary growth	3.95%	3.10%-4.45%	
Life expectancy – Males currently aged 45 / 65	20.9	20.6-23.4	
Life expectancy – Females currently aged 45 / 65	23.2	23.2-24.8	

We have also reviewed the:

- Completeness and accuracy of the underlying information used to determine the estimate
- Reasonableness of the Authority's share of LGPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

and have no findings to being to your attention in this regard.

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 2 borrowings	The Authority have borrowings with the Public Works Loans Board, Barclays, and transferred debt (arising from the West Midlands County Council) comprising of PWLB debt and LOBOs. There are significant observable inputs to determine the value of these borrowings, being the discount rates calculated based on the contractual cash flows. Therefore these borrowings are disclosed as being Level 2: significant observable inputs.	We consider that the approach taken by the Authority is reasonable and agree with the conclusions drawn.	Green
Application of IFRS 15 and impact on treatment of ticketing income	The Authority have considered the requirements of the new accounting standard, IFRS15 and has concluded that it no longer acts as a principal in relation to ticketing, but as agent, and as a result would only be accounting for ticketing income on a net basis (leading to a £nil impact on the accounts) rather than gross.	We have considered the approach proposed by the Authority, being mindful of the following: • An entity that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of the performance obligation on its behalf. • We have therefore challenged the Authority in order to be satisfied that in the relationships it has with the bus, rail and tram services, that it is not satisfying a performance obligation on the Authority's behalf (ie the provision of services which the authority has promised). • The Authority facilitates payment between transport operators and the customer at prices that are set by the transport operators or in some cases by government legislation (e.g. regulated rail fares). Transport for West Midlands collects the income from the ticket sales and distributes (net of commission) to the operators based on passenger journeys. The Authority therefore considers that it does not control the specified service before they are transferred to customers that purchased tickets under the schemes and that it cannot direct the services to parties other than the customer or prevent the transport operators from transferring the services to the customer. • Having considered the Authority's response to our challenge, we concur with the treatment of ticketing income being accounted for on an agent, rather than principal basis.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

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Significant findings - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Preparation of income and expenditure budgets for the year ended 31 March 2019	Going Concern is defined as "the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.' The Authority's financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. A detailed Business Plan for the Combined Authority is approved on an annual basis. Regular management reporting is produced for the Combined Authority indicating positive trading performance of the business, which is reported to the WMCA Senior Leadership Team, Transport Delivery Committee, Programme Board and WMCA Main Board. The WMCA raises a levy on constituent authorities and whilst austerity has put pressure on this and the need for savings there has not been a significant call upon reserves. As a result of the devolution contribution cash flows are strong. No indicators of going concern issues.
Work performed	**Auditor commentary**
	We have reviewed the budgetary processes in place and would note the following: The West Midlands Combined Authority Operational budget requirement for 2019/20 of £103.1m comprises six elements: (a) £84.2m Adult Education spending to be funded for the first time from Adult Education Budget funding devolved by the Department for Education; (b) £10.6m to be funded from other devolution deal grants; (c) £4.6m to be funded from Constituent Authority fees (d) £0.4m to be funded from Non-Constituent Authority and Observer fees (e) £2.2m to be funded from other income; and (f) a transfer from reserves of £1.1m. In addition to this, is the levy from each of the seven metropolitan authorities which amounts to £119.2m. The Mayoral Office budget for 2019/20 of £0.8m is to be funded from existing Mayoral capacity funding.

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Significant findings - Going concern (continued)

Going concern commentary

Concluding comments	Auditor commentary
	• We note that for 2019/20 the budget is balanced with the use of a transfer from reserves of £1.1m. We are satisfied from our review that the Authority has sufficiency of reserves to bolster its finances if required, but clearly reserves can only be used once, and the Authority is monitoring its position continuously. • There continues to be a funding gap in the investment programme, which will crystallise in 2020 unless a way of bridging the gap is identified. We are aware that officers are reviewing and monitoring this with a view to reprofiling the work as necessary and/or identifying additional funding streams. • However, neither of these matters cast significant doubt on the entity's ability to continue as a going concern and therefore we agree that the Authority’s conclusion to prepare the accounts on a going concern basis is appropriate.

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit, Risk and Assurance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Authority, including specific representations in respect of the Group, which is appended. The letter makes reference to the transaction for £280k that wasn't accounted for in 2018/19 when it should have been (Appendix A) and that the Authority have elected not to adjust the financial statements in this regard.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all the Authority's bank, investment and loan counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
6	**Disclosures**	Our review of the financial statements identified the following disclosure issues: • The consideration of the group boundary and the decision to consolidate MML is a critical judgement and we have therefore asked that the Authority include it as such in the financial statements at Note 3. • The Authority had not included an explicit disclosure setting out the impact of the new accounting standard IFRS 9, (there is already reference to changes that have taken place as a result of applying IFRS15, which are discussed within the key judgements and estimates section of the file). • In respect of Capital Commitments (Note 35) the prior year comparative has been reduced by £97m as the previous commitment was found to be in relation to assets as part of the Coventry Regeneration Project that were not owned by the Authority, and the commitment value has therefore been reduced accordingly. In respect of the current year figure, the disclosure is being reduced by £1.3m to leave a commitment of £1.339m which was in connection with the Bradley Lane Park and Ride contractor on the grounds that this has now gone into administration and therefore the contract is no longer valid. • Within Note 37 Related Parties, the amount due to companies in which officers had an interest was disclosed as £370k. This is understated as the actual figure is £440k. All of these matters have been addressed in the updated financial statements.

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
6	**Disclosures (continued)**	**Notes to the financial statements** The Authority has elected to change the way it discloses note 7 to 11 by analysing the figures from the Expenditure and Funding Analysis in the notes, rather than the figures in the Comprehensive Income and Expenditure Statement. As such, comparatives for 2017/18 have been restated in these notes. The notes now give the analysis as reported to management whereas previously these notes had shown figures reported to management adjusted for reserves transfers and financing costs. This is purely a change in presentation and does not affect amounts reported in the CIES for “Total Comprehensive Income and Expenditure” and “Surplus or deficit for the year under funding basis”. As the notes in the draft financial statements breakdown the figures in the EFA, we have requested that the Authority add additional narrative to explain the changes made, as well as to add the adjustments to each note that reconcile the gross expenditure, gross income and net expenditure figures back to the CIES.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management were provided and no difficulties were encountered.

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Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix C.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	• We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • As at the time of writing we are yet to receive the WGA group audit instructions but we anticipate no work being required due to the Authority not exceeding the expected threshold.
4	**Certification of the closure of the audit**	We do not expect to be able to certify the completion of the 2018/19 audit of West Midlands Combined Authority in our auditor's report, as detailed in Appendix C, pending the completion of our work on Whole of Government Account. Additionally, due to the pension fund annual report not being available as at the time of writing, we have yet to issue our report on the consistency of the pension fund financial statements

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Value for Money

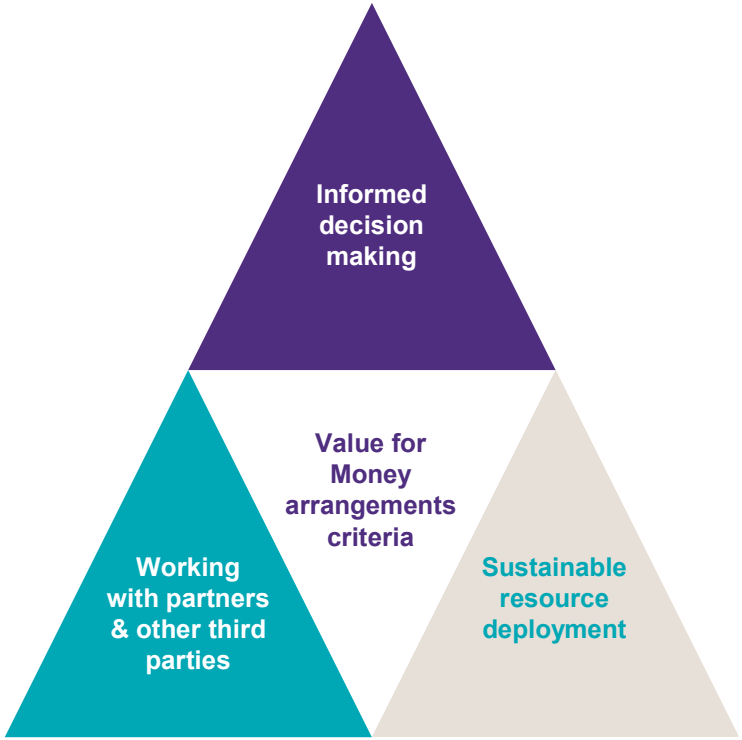
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in November and December 2018 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 14 January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were the progress throughout the 2018/19 financial year of the Authority in relation to its arrangements to develop its capacity and capability as well as to evolve its governance arrangements to prepare for the Fire Authority.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 and 21.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	**Preparedness of the Combined Authority to receive the West Midlands Fire Authority within its governance structure** As part of our planning we noted that further to the outcome of the Governance of the West Midlands Fire Service Public Consultation, the Combined Authority submitted the Governance Review, Scheme and consultation outcomes to the Home Office. Subject to the Order being approved in Parliament, the West Midlands Fire Service could come within the governance structure of the West Midlands Combined Authority from as early as 1 April 2019. This represented a significant change both to the remit of the West Midlands Combined Authority as well as to its governance arrangements. There is a risk that arrangements may not appropriately reflect changing responsibilities of the Authority and heighten the risk of actual or perceived instances of inadequate governance.	• We reported to ARAC in our progress report, dated 15 April 2019, that the transfer of the Fire Service was originally proposed to be on 1 April 2019, but that due to the delay in finalising the draft Order to put before Parliament this timing has now been moved into the 2019/20 financial year, with an exact timeline to be confirmed. • Our understanding is that this has now been postponed indefinitely. This therefore removes this risk from being "significant" in respect of the impact on the VFM conclusion, as our reasoning for including it as such was to ensure that arrangements were in place to ensure that the transfer happened smoothly.	**Auditor view** • No residual risk remaining to our value for money conclusion. We have seen from our review of relevant Board and Combined Authority papers and regular discussions with management and key officers that work has been underway to prepare for the proposed changes in structure. We have therefore identified no evidence that is indicative of inadequate arrangements being in place at the Combined Authority in relation to this risk.
2	**Developing Capacity and Capability** Given the evolution of the Combined Authority, as exemplified by the potential extended remit to include the Fire Authority (as well the Police and Crime Commissioner in future years), there is a risk that the Authority does not have the capacity or capability to continue to manage and absorb the increased levels of activity that are expected.	• We reviewed relevant Board and Combined Authority papers and held discussions with management and key officers to gain assurance that the Authority has an appropriate framework in place to assess its capacity and capability and ensure its establishment is fit for purpose. • Subsequent to our initial risk assessment being undertaken and capacity and capability being identified as a significant risk, internal audit undertook a review of the Authority's Workforce Planning Arrangements, the outcome of which was presented to ARAC on 14 January 2019.	See page 21 for conclusion.

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Key findings

	Significant risk	Findings	Conclusion
2	**Developing Capacity and Capability** Given the evolution of the Combined Authority, as exemplified by the potential extended remit to include the Fire Authority (as well the Police and Crime Commissioner in future years), there is a risk that the Authority does not have the capacity or capability to continue to manage and absorb the increased levels of activity that are expected.	• Internal audit were able to give satisfactory assurance as part of the process to mitigate risks to an acceptable level. Their scope was to seek assurance that "*appropriate arrangements are in place for effective workforce planning that supports and aligns with organisational strategy and business planning to ensure appropriate skills and capacity are developed to achieve organisational success in delivering services in the future.*" • This resulted in one broad recommendation being made, which was to translate the work that had been undertaken into a "*clearly defined strategy and operational workforce planning framework to support strategic level consideration of workforce planning implications for the achievement of the WMCA's strategic and organisational aims and objectives.*" • We acknowledge that while the risk identified for the Value for Money Conclusion is not exactly the same as that covered by the scope of the internal audit review, we note that there is some overlap. For our purposes we are concerned with the capacity and capability of the Authority (ie does it have the right people, with the right skills in the right place doing the right things at the right time), at least some of which can be dealt with though robust workforce planning and consideration of future needs. • In terms of future needs, consideration of current workforce and achievement of deliverables over the next few years are considered as part of the business planning process and when the budget is being set. Heads of Service outline their key deliverables for the year and the budget implications are tracked and monitored against by finance. However, from our review of these documents, they consider workforce requirements implicitly rather than explicitly. • Work on forward planning has improved during the year, aided by a more fluent use throughout the organisation of the HR dashboard: it charts, recruitment, vacancies, and long-term sickness, which enables cohesive discussions between the business manager, finance business partner and the manager. • Posts are aligned with funding sources to ensure that each post is appropriately justified and financed. • To get the rights skills in place and ensure employees are performing, there has been a process in place but no policy. In June 2019, the corporate management team agreed a managing performance policy which will be ratified and then published in the coming months.	**Auditor view** • While we have identified no residual risk to our value for money conclusion, we recommend that workforce considerations are made a more explicit element of business processes. **Management response** • […]

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to current date.

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Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure
1	The authority received a revised IAS 19 valuation report which updated the value o the net pension liability from 39,001 to £49,757k. The Authority were anticipating an updated report and and therefore trialled a potential adjustment in the draft financial statements.	£10,756k (but reversed through MIRS)	-£10,756k	£10,756k
	Overall impact	**£10,756k**	**£10,756k**	**£10,756k**

Misclassification and disclosure changes

All disclosure changes are noted within the point 6 on the table on pages 15 and 16.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit, Risk and Assurance Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
2	We identified a transaction amounting to £280k during our cut-off testing which had not ben accounted for in 2018/19 but was relating to that financial year.	DR grant income 0.280m CR grant expenditure 0.280m	-	-	This has not been adjusted on the grounds of materiality and has a net nil impact.
	Overall impact	**-**	**-**	**-**	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the final set of 2017/18 financial statements.

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Fees

We confirm below our final fees charged for the audit **and confirm there were no fees for the provision of non-audit services.**

Audit Fees

	Proposed fee	Final fee
Authority Audit	£46,500	£46.500
Total audit fees (excluding VAT)	**£46,500**	**£46,500**

The fees reconcile to the financial statements, where they are shown in Note 18 as £47k.

Additional fees proposed

As noted in our Audit Plan our proposed audit fee is above the PSAA scale fee of £35,805. Our view is that because of the increased scope and associated risk, and the additional challenge that the Authority will no doubt be seeking from its external auditors, a fee reduction at this time would not be commensurate with the current risks.

Therefore a fee of £46,500 is proposed, which was consistent with the fee charged in 2017/18. This constitutes a fee variation, which is subject to approval from PSAA.

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Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of West Midlands Combined Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Midlands Combined Auhtority (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, Movement in Reserves Statement (for both the Authority and the Group), the Balance Sheet (for both the Authority and the Group), and the Cash Flow Statement (for both the Authority and the Group and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Finance Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report, other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension fund

Audit opinion

financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Finance Director and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 24 and 25, the Authority is required to make arrangements for the proper administration of its financial affairs

Audit opinion

and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Finance Director. The Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance Director is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Risk and Assurance is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve

Audit opinion

planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

AND

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham
[Date]

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Management Letter of Representation

[**Prepare on client letterhead**]

Our ref:
Your ref:

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

[Date]

Dear Sirs

West Midlands Combined Authority
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of West Midlands Combined Authority and its subsidiary undertaking, Midland Metro Limited for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

i. We have fulfilled our responsibilities for the preparation of the group and parent Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Authority financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and parent Authority and these matters have been appropriately reflected and disclosed in the group and parent Authority financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and parent Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Authority financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Management Letter of Representation

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Authority has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the group and parent Authority financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Authority financial statements for this misstatement brought to our attention as they are immaterial to the results of the group and parent Authority

xii. The group and parent Authority financial statements are free of material misstatements, including omissions.

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Authority financial statements.

xv. We believe that the group and parent Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Authority's needs. We believe that no further disclosures relating to the group and parent Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

i. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and parent Authority financial statements such as records, documentation and other matters;

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Management Letter of Representation

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the group and parent Authority financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the group and parent Authority financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the group and parent Authority financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the group and parent Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Authority financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Authority's financial and operating performance over the period covered by the group and parent Authority financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit, Risk and Assurance Committee at its meeting on [ENTER DATE].

Yours faithfully

Name……

Position……

Date……

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